

27 July 1982

MEMORANDUM FOR THE RECORD

SUBJECT: SIG-IEP Meeting on Monday, 26 July 1982

Present were Secretaries Regan (Chair), Block, Weinberger, and Baldridge; also OMB Director Stockman, James Buckley, Marc Leland, Norm Bailey and others.

2. Two subjects were discussed:

Poland. It was agreed that Jaruzelski's actions did not meet NATO's three criteria. There was also discussion of the Kasten Amendment which requires the President to determine monthly that it is in the national interest for the CCC to pay on government guarantees on grain sales rather than declare Poland in default on its debts. There is a proposal to delegate this responsibility to the Secretary of State.

Grain Sales to the Soviet Union. There was a consensus on a one-year extension of the present Agreement. However, the Secretary of Agriculture, who expressed himself forcefully on the farmers stake in Soviet sales, argued for an increase in the minimum the Soviets would be required to buy, say to the 15 million ton level the Soviets bought in the last crop year. The Secretary of Defense, who first argued against having any agreement and letting the private market deal with the Soviets, objected to an agreement which would be open-ended in terms of the grain the Soviets could buy. The Director of OMB emphasized that fungibility in the grain market place made any agreement meaningless ("a fantasy") in the short run; however, in the longer run if the US doesn't sell to the Soviets this encourages other countries to produce more and that hurts us. Several participants observed that our bargaining position vis-a-vis the Soviets (including the availability of grain from other suppliers), is not strong enough to support an increase in the minimum sale to a level of 15 million tons.

The upshot: The majority recommends a simple extension of the Agreement for one year; it understands that this procedure permits the Secretary of Agriculture to discuss with the Soviets a possible higher amount than the 8 million tons (6+2) provided for in

NSC review completed.

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the current agreement. However, the Secretary of Agriculture may press the President to increase the minimum Soviet purchase required.

The President will probably announce his decision in Iowa on Monday, 2 August.



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Henry S. Rowen
Chairman

Attachment

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DEPARTMENT OF THE TREASURY

WASHINGTON, D.C. 20220

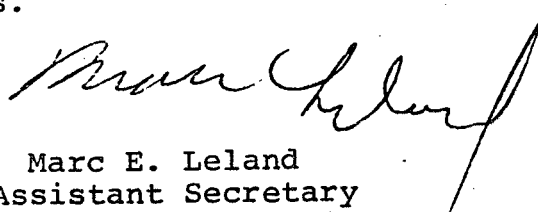
ASSISTANT SECRETARY

July 27, 1982

MEMORANDUM FOR: SECRETARY WEINBERGER DEFENSE
SECRETARY BLOCK AGRICULTURE
SECRETARY BALDRIGE COMMERCE
DIRECTOR STOCKMAN OMB
UNDER SECRETARY BUCKLEY STATE
MR. JERRY JORDAN CEA
MR. DAVID MACDONALD USTR
MR. ROGER PORTER OPD
MR. HARRY ROWEN CIA

SUBJECT: Minutes of the July 26 SIG-IEP

The attached is a memorandum which Norman Bailey, Henry Nau and I prepared after yesterday's meeting of the SIG-IEP. Please confirm as soon as possible to Matt Hennesey (566-8286), that this is an accurate statement of the conclusions.


Marc E. Leland
Assistant Secretary
International Affairs

Attachment

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THE SECRETARY OF THE TREASURY

WASHINGTON

July 26, 1982

MEMORANDUM FOR: WILLIAM P. CLARK
ASSISTANT TO THE PRESIDENT FOR
NATIONAL SECURITY AFFAIRS

SUBJECT: Meeting of the Senior Interagency Group
on International Economic Policy (SIG-IEP),
July 26, 1982

At the meeting of the SIG-IEP today, the group decided
as follows:

-- The majority recommended that the Secretary of
Agriculture be authorized to propose a simple extension of the
Grain Agreement for one year.

-- The majority further recommended that after the
Agreement is extended, the Secretary of Agriculture will be
authorized, pursuant to the Agreement, to consult with the
Soviets as to possible purchase of higher amounts than those
provided for in the Agreement. While all participants could
accept this result, the Secretary of Agriculture would have
preferred attempting to get from the Soviets agreement to
higher minimums as part of the one-year extension of the
Agreement, and the Secretary of Defense would have preferred
letting the Agreement lapse.

-- The group also recommended that, before announcement
of any decision, discussion with allies should take place and,
therefore, if possible, the announcement should be delayed until
at least August 2.

Voting for their agencies were the following:

Secretary Regan	Treasury
Secretary Weinberger	Defense
Under Secretary Buckley	State
Secretary Block	Agriculture
Secretary Baldrige	Commerce
Director Stockman	OMB
Jerry Jordan	CEA
David Macdonald	USTR
Roger Porter	OPD
Harry Rowen	CIA

Donald T. Regan

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July 28, 1982

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At the meeting of the SIG-IEP today, the following options were discussed:

- (1) The President should let the US-USSR grain agreement lapse.
- (2) The President should authorize the exploration with the Soviets of the possibility of an extension of the existing US-USSR grain agreement for one year.

Under this option, there were two further alternatives:

- (2a) Pursuant to the consultations provided for in the agreement, the President should authorize U.S. officials to explore the possibility of additional grain sales beyond those provided for in the agreement.
- (2b) In connection with extension of the existing US-USSR grain agreement, the President should authorize U.S. officials to discuss the possibility of having higher minimum grain purchases in the agreement.

In a split vote a majority of the SIG-IEP recommended Option 2a.

Attached is language which would be used publicly in announcing either option (2)(a) or option (2)(b), whichever is the President's decision.

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ATTACHMENTOption (2)(a)

I have authorized U.S. officials to explore the possibility of an extension of the existing US-USSR grain agreement for one year. I have further authorized them to explore in the consultations with the Soviets, normally conducted under the agreement, the possibility of additional grain sales to the Soviet Union.

Option 2(b)

I have authorized U.S. officials to explore the possibility of an extension of the existing US-USSR grain agreement for one year. I have further authorized them in connection with this extension to discuss the possibility of higher minimum grain sales to the Soviet Union.

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☐ Declassify ☒ Review for
Declassification on 7/28/88